

Message Text

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COMMERCE PASS OED

FROM COMMERCIAL COUNSELOR

E. O. 11652: N/A

TAGS: BEXP, ESTC, BR

SUBJ: PRODUCT OPPORTUNITY - SALE OF U.S. RADAR TO EMBRAER

1. REPRESENTATIVE OF AIL-DIVISION OF CUTLER HAMMER CORPORATION RECENTLY VISITED COMMERCIAL COUNSELOR TO DISCUSS PROBLEM THE COMPANY IS FACING CONCERNING ITS SALE OF 1.5 MILLION DOLLARS OF RADAR. RADARS ARE APPARENTLY TO BE MOUNTED IN BANDEIRANTE MODEL EMB-111 AIRPLANE WHICH IS THE APPROXIMATE SIZE AND SHAPE OF THE BEECH AIRCRAFT KING-AIR.

2. AIL REP EXPLAINED THAT ALTHOUGH RADAR WAS ASSIGNED AN ARMY-NAVY (AN) NUMBER, IT HAS NEVER BEEN SOLD IN THE U.S. FOR ANY MILITARY PURPOSE. IN FACT, THE NOMENCLATURE ASSIGNMENT WAS AT THE REQUEST OF THE BRAZILIAN AIR FORCE AND IN THE NATURE OF A "GOOD HOUSEKEEPING SEAL OF APPROVAL". NOW THE PRESTIGE OF THE AN NUMBER HAS BACKFIRED. AS NOMENCLATURED RADAR IT APPEARS ON THE MUNITIONS CONTROL LIST AS AN ARMS ITEM. AS CUH, UNDER THE PROVISIONS OF THE 1976 FOREIGN ASSISTANCE ACT, THE END-USER OF THE RADAR CANNOT BE THE COUNTRY TO WHOM THE BRAZILIANS HAVE ALREADY SOLD THEIR FIRST PLANE - NAMELY CHILE.

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3. WHILE THE FOREGOING STORY HAS A HUMOROUS AND IRONIC TWIST

TO IT, IT ALSO HAS SIGNIFICANT COMMERCIAL IMPLICATIONS. AIL'S ORIGINAL ORDER IS FOR 1.5 MILLION DOLLARS. HOWEVER, AS A RESULT OF WINNING THE RADAR COMPETITION FOR THE EMB-111, EMBRAER DESIGNATED AIL AS THE ORIGINAL EQUIPMENT MANUFACTURER. THIS DESIGNATION MEANS THAT ALL EMB-111 MARITIME PATROL AIRPLANES, WHETHER SOLD FOR DOMESTIC USE OR FOR EXPORT, WILL INCLUDE AIL RADAR. AIL ESTIMATES THAT AS MUCH AS FIFTY MILLION DOLLARS OF FUTURE SALES IS AT STAKE.

4. WE ASSUME AIL IS CURRENTLY MAKING ITS CASE FOR DELISTING IN WASHINGTON. ON THIS END WE WOULD LIKE TO POINT OUT THAT THE BRAZILIANS ARE DEAD SERIOUS ABOUT PROCEEDING WITH THE EXPORT SALE OF THE EMB-111 TO CHILE AND POSSIBLY TO BOLIVIA, COLOMBIA AND URUGUAY WHO HAVE ALREADY EXPRESSED INTEREST IN THE PLANE. BRAZIL HAS BEEN HAVING SERIOUS TRADE BALANCE PROBLEMS AND IS IN A HURRY TO HELP RECTIFY ITS TRADE DEFICITS WITH EXPORT SALES OF ITS NEW MARITIME PATROL AIRPLANE. IF THE RADAR IS NOT DELISTED QUICKLY, EMBRAER WILL PROBABLY TURN TO EITHER THE BRITISH, FRENCH OR DUTCH TO REPLACE US EQUIPMENT. OBVIOUSLY, THE AIL DISPLACEMENT IN THE CASE OF THE EMB-111 WILL BE A PERMANENT ONE.

5. FAA REP INDICATES THAT EMBRAER HAS ALREADY THREATENED VERBALLY TO REPLACE AIL EQUIPMENT IN VIEW OF THE ANTICIPATED DELAY. WE STRESS THE URGENCY OF AN EARLY DECISION IN THIS CASE. A DELAY CAN BE AS DETRIMENTAL TO AIL'S CASE AS A NEGATIVE FINDING. PLEASE KEEP US INFORMED IN ORDER TO FORESTALL ANY PRECIPITATE MOVES ON THE PART OF EMBRAER.
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